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**Real Estate Appraisal Training Assessment of
Current Conditions and Recommendations**

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**Prepared by: Mark Bates
Bill Endsley**

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Prepared for: EFS CTO: Gregg Wiitala
EFS DCTO: Ingi Lotfi
USAID/Egypt Economic Growth Division
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Task: Task 1: Establish a Supporting Framework for the
Real Estate Finance Industry

KRA: KRA 1.3: Real Estate Professional Stimulated,
Industry Brought to International Standards and
Other Services Developed

Activities: Activity 1.3.2: Identify and Review Training
Packages for Similar Trade Associations

Activity 1.3.4: Identify Training Needs, Develop
Curricula and Implement Training

Author: Mark Bates
Bill Endsley
The Appraisal Institute

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Abstract

Current economic and political conditions in Egypt provide a unique opportunity to develop a meaningful real estate valuation profession. Current market value appraisal practice is limited at best and interested parties are unanimous in their support for the development of the profession. Current practice is oriented toward a technical, cost-less-depreciation approach with a knowledge base developed and maintained in the engineering departments of local universities. As the real estate mortgage market and supporting infrastructure develop, demand will increase for market value-related appraisal services. To prepare for the emerging real estate financial services sector, training and licensing programs must be developed which will be recognized and approved by international investors. This will allow Egypt to raise capital in international securities markets and unlock dormant capital currently contained as residential real estate equity.

Development of a meaningful and recognized residential real estate valuation profession requires training, examination, experience review, adherence to recognized valuation standards, licensing and supervision. For this to occur, a professional appraisal association must take the lead and work with government authorities, educational institutions, and other industry-related associations to develop a training program that meets best practice guidelines along with a government-sponsored licensing program that includes supervisory, recertification and disciplinary requirements.

The recommended training program includes 105 hours of education in five modules, including 30 hours of appraisal principles, 30 hours of appraisal procedures, 15 hours of highest and best use and market analysis, 15 hours of case studies and 15 hours of appraisal standards. With the exception of appraisal standards, course curriculums would be modeled after existing Appraisal Institute course materials professionally adapted to Egyptian law, practice and customs. Valuation standards would follow International Valuation Standards professionally adapted to national law and practice. Adaptation and introduction of course materials would take place within the next six months.

It is further recommended that, on a parallel track, a supervisory structure be developed to include creation of a government sponsored and controlled licensing examination, licensing criteria and appropriate supervisory boards to oversee the licensing program. It is envisioned that the Mortgage Finance Authority, currently under the Ministry of Investment, would create a real estate licensing division under which would sit an Appraisal Qualifications Board, Appraisal Standards Board and Generally Accepted Valuation Principles Board. The Appraisal Qualifications Board would oversee licensing requirements including the minimum hours and approval of training programs, continuing education requirements, experience requirements and exam development and oversight. The Appraisal Standards Board would monitor and maintain real estate valuation standards. The Valuation Principles Board would oversee, monitor and maintain generally accepted valuation principles (body of knowledge) to ensure consistency and transparency in the marketplace. The supervisory structure should be functioning in time to accommodate graduates of the recommended training program.

For a market value-based appraisal profession to succeed in providing reliable real estate valuation services, it will be dependent upon a supporting infrastructure including accurate, publicly available price reporting, property registration and applicable information technologies.

1.0 Introduction

This assignment is in support of the Government of Egypt's initiative to develop a modern real estate finance sector. The government's effort is being sustained by a technical assistance and training program sponsored by the United States Agency for International Development. The effort will concentrate on developing the real estate finance sector, enhancing the real estate appraisal profession, modernizing the property registration process, establishing a credit information system and broadening the range of financial instruments for the capital markets.

The primary purpose of this portion of the assignment is to assess the training needs of urban Egyptian real estate appraisers and develop a collaborative plan for the Egypt Financial Services project and its partners in the appraisal industry to meet those needs.

To achieve this, the consultants will work with the Egypt FS project's Real Estate Finance Training Manager and the Chief of Party to design curricula for professional courses that address the determined needs, to create appraisal training plans for partners and associations, and to design an organizational development plan for the potential project partners in real estate appraisal.

For the program to succeed, practitioners must move away from a technical approach to valuation toward market-oriented appraisal applications. For this to occur, market transparency is mandatory. To achieve transparency, supporting infrastructure including accurate, publicly available price reporting, fully subscribed property registration and applicable information technologies must be developed. Without the appropriate infrastructure, real estate appraisal will remain a theoretical exercise.

2.0 Training Assessment

The consultants conducted field interviews over a six-day period to ascertain the level of training currently available to valuers in Egypt. Discussions with representatives from academic institutions, government regulatory authorities, banking associations and the real estate profession provided valuable insight as to the quality of training available, frequency of training opportunities, level of success (exam-based) and current needs to meet the future demands of a developing residential mortgage finance industry.

2.1 Current Conditions

The real estate valuation profession in Egypt has been developed outside the mortgage finance arena and historically has been focused on a development cost (less depreciation) approach versus a market value approach. The housing market is mostly informal in nature and third-party valuations are not typically a part of the process. Valuation training is technical in content and integrated into engineering curricula at local universities. Adherence to valuation guidelines such as uniform standards of professional appraisal practice or international valuation standards and codes of conduct is not common practice. There is, however, awareness within the academic institutions, government authorities and at the professional level of the need for real estate valuation training and the development of a valuation profession going forward.

2.2 Visitation Activities and List of Contacts

Our field activities included visits and interviews with representatives of Cairo University, American University in Cairo, the Egyptian Mortgage Finance Authority, the Egyptian Banking Institute, the Egyptian Real Estate Association and the Coldwell Banker Real Estate Company.

Table 1

Name	Title	Organization
Dr. Sameh El-Torgoman	Chairman	Mortgage Finance Authority
Prof. Ahmed R. H. Anis, Ph.D, Ma. Sc., MBA, P. Eng.	Professor of Concrete Structures - Director	Cairo University
Dr. Safwan A. Khedr	Profession and Chairman - Department of Construction Engineering	American University in Cairo
Dr. Mohamed H. Abdel-Kader	Assistant Professor	American University in Cairo
Dr. Hatem Nabhan	Managing Director	Quality Services Group
Yousry El-Ghitany	Program Manager	Egyptian Real Estate Association
Khaled Rasekh	Managing Director	Universal Services Group
Ms. Nevine Dakrouy	Planning and Development Manager	Egyptian Banking Institute
Ashraf Ghazala	Managing Director	Coldwell Banker
Nehad Adel	Branch Manager	Coldwell Banker
Kevork Kouyoudjian	Branch Manager	Coldwell Banker

2.3 Identification of Potential Project Training Partners

All of the contacts interviewed expressed strong support for a meaningful real estate appraiser training program in Egypt. Cairo University and American University in Cairo currently have programs set up within their engineering departments and the Egyptian Banking Institute expressed strong interest in participating in any future training activities. Several instructors interviewed indicated they teach at both universities and the Egyptian Banking Institute uses both as resources for their programs. All three could be considered as potential project training partners. Designated instructors certified to teach an approved real estate valuation curriculum could use any of the three venues for presentation, but for the program to meet the objectives of a market-based system, certified instructors should primarily be practitioners. It is also likely that other venues and sponsors will emerge and the process evolves.

2.4 Identification of Relevant Associations

Interviewees identified three real estate-related associations during the course of our fieldwork. Two serve the more general real estate profession and one was recently established to specifically serve the real estate valuation profession. The two general practice organizations are in a developing phase and appear to be quasi-business operations. The real estate appraisal association was recently organized and has not yet established a membership base.

2.5 Current Level and Availability of Training

As mentioned in Section 2.3, Cairo University and American University in Cairo currently have training programs set up within their engineering departments.

The program at Cairo University is said to have 60 hours of classroom training. A certificate is awarded to those students that earn 75 out of 100 points in the program. Twenty points are awarded for completing the 60 hours of classroom training; twenty additional points are awarded for an acceptable demonstration report and 60 points for passing the course exam. Approximately 300 students have completed the course and 65 have passed the examination. The curriculum was not made available for our review. Anecdotal information indicates the program is based on U.S. texts and oriented toward a technical approach to valuation versus a market value approach. This is to be expected in an emerging real estate market with limited transparency and data availability. The program is offered on a semester basis. The total cost including the exam is \$1,000 EGP.

The real estate program at American University in Cairo consists of six, fifteen-hour general practice real estate workshops with one workshop focused on valuation. Two hundred students have completed the program. No exam is required. The curriculum was not made available for our review. The cost is \$400 EGP for each workshop.

It is difficult to determine the level of training available without access to the course curricula. The Cairo University program appears to be more comprehensive and geared more toward real estate valuation training. Both universities offer their programs on a regular basis.

3.0 Training Plan/Curricula

The Appraisal Institute recommends a five course, market value-oriented curriculum for residential appraiser licensing totaling 105 classroom hours:

- Basic Appraisal Principles (30 hours)
 - Basic Appraisal Procedures (30 hours)
 - Egyptian Valuation Standards & Professional Code of Ethics (15 hours)
 - Residential Market Analysis & Highest & Best Use (15 hours)
 - Residential Case Study (15 hours)
- Total (105 hours)

The development of this curriculum should take place in three steps:

- Development team meetings with local experts to refine and adapt materials to local market conditions
- Course premieres with co-instruction (one local and one U.S. instructor)
- First regular course offerings with local instructors

After the first regular course offering, the full development team should meet to review exam results, program and instructor evaluations, suggest any revisions and make a final report to the Egypt FS project.

3.1 Appraisal Training Plan for the first year (through the end of 2005)

A development team of U.S. consultants and Egyptian experts will develop standard course materials and textbooks based on existing Appraisal Institute products and Egyptian market conditions. These products will then be licensed to the Egyptian Appraisers Association (EAA) or another appropriate authority. The EAA should hold the course premieres first with U.S. co-instructors and then conduct solo course offerings with only Egyptian instructors. Later the curriculum would be made more widely available by licensing the products to qualified organizations including universities and related associations and institutes. To be certified, instructors for the curriculum should be on the development team, attend either the course premieres or the first regular offerings, and pass the corresponding course exam(s).

While quality control must be maintained, the products must be made available in a wide variety of outlets to bring appraisers online as quickly as possible, foster competition, and prepare for the growth of the profession.

Two delivery formats should be developed:

- An intensive format for working professionals to be delivered by associations and institutes
 - Since there is a need to bring appraisers online quickly, this format should be developed in the first year.
- A semester format for students to be delivered in universities as a part of degree programs in business, finance and/or real estate

The EAA can grant equivalency credit for existing or future university programs that substantially meet the training objectives outlined for each program except for Standards and Ethics. The Standards and Ethics course must be uniform for all appraisers who are licensed. Students may also self-study and challenge course exams for the Principles, Procedures and Market Analysis courses. Full attendance and passing the exam will be required for the Standards and Ethics and Case Studies courses.

At the end of 2005 or after the completion of the first regular offering of all courses in the curriculum, it is projected that 90 individuals will have completed the licensing curriculum. Those that pass the course exams will be ready to take the MFA licensing exam (see section 4.0). The curriculum could be offered quarterly in 2006 depending upon market demand.

3.2 Objectives for Each of the Training Plan's Components

Basic Appraisal Principles (28 hours instruction, 2 hour exam)

Basic Appraisal Principles is the introductory course for individuals preparing for a career as a valuation professional. The course provides the first 30 hours of qualifying education required to

obtain an appraisal license. The course guides participants through the economic concepts and basic appraisal principles that build a solid foundation for an ethical and competent appraisal practice.

Learning Objectives

(To be refined in country with residential licensing development team)

- Recognize the components of the code of ethics and competent appraisal practice
- Identify the eight elements in the scope of work decision
- Understand the real estate bundle of rights
- Distinguish between forms of ownership
- Identify the powers of government that can control property ownership
- Distinguish between cost, price, and value
- Identify the four factors that create value
- Understand the definition of market value
- Identify the four broad forces that influence value
- Understand the definition of highest and best use
- Understanding the use of financial calculators
- Explore the six compound interest factors and the time value of money
- Identify the four stages of a neighborhood life cycle
- Identify the four major value forces on market areas

Basic Appraisal Procedures (28 hours instruction, 2 hour exam)

Basic Appraisal Procedures provides the next 30 hours of qualifying education required to obtain an appraisal license. The theme of the course is focused on the valuation process. All eight steps in the valuation process are examined with added detail on each of the three approaches to value. In-depth case studies are used to apply the concepts and a Uniform Residential Appraisal Report is introduced.

Learning Objectives

(To be refined in country with residential licensing development team)

Identify the major steps in the valuation process

- Identify the six procedures for analyzing land value
- Understand the elements of comparison used in the sales comparison approach
- Understand the basic components of the income capitalization approach
- Understand the basic components of the cost approach
- Identify the basic components of depreciation
- Develop a property site description
- Describe residential improvements and neighborhood analysis on a standard form
- Analyze sales to select appropriate comparables
- Reconcile multiple values to a single point of value
- Understand the types of reports that can be used to communicate an appraisal

Egyptian Appraisal Standards and Code of Professional Ethics (14 hours instruction, 1-hour exam)

Egyptian appraisers must also adhere to a Code of Professional Ethics. This course is designed to familiarize appraisers with their professional obligations and to review their ethical responsibilities. The course stresses the importance of *public trust* and examines the Code of Professional Ethics, Certification Standard, and Guide Notes, and the Egyptian Appraisers Association enforcement process.

Learning Objectives

(To be refined in country with residential licensing development team)

- Understand the history and development of International Valuation Standards
- Identify the objectives and scope of Egyptian Valuation Standards
- Egyptian Valuation Standard 1 – Market Value Basis of Valuation
- Egyptian Valuation Standard 2 – Valuation for Lending Purposes
- Egyptian Valuation Standard 3 – Valuation Reporting
- Understand the Egyptian Code of Professional Ethics
- Demonstrate familiarity with competency issues
- Develop a Certification Statement
- Examine supplemental standards, regulations, and laws

Residential Market Analysis and Highest & Best Use (14 hours instruction, 1 hour exam)

Residential Market Analysis and Highest & Best Use provides a look at the relationship between market analysis and highest and best use. The course presents the information needed to make a reliable highest and best use decision and shows where this information is found and how to interpret it. Procedures for mapping the market area for a subject property and ways of reading that market are presented and participants learn essential links between market analysis, highest and best use analysis, application of the three approaches to value, and the final opinion of value.

Learning Objectives

(To be refined in country with residential licensing development team)

- Identify how highest and best use and market analysis fit into the valuation process
- Understand the purpose for analyzing highest and best use of a site as though vacant and the property as improved
- Identify the four criteria applied to determine highest and best use
- Recognize the six steps in conducting market analysis
- Understand major value-influencing forces in residential properties
- Explore supply and demand variables that affect residential properties
- Demonstrate how highest and best use can be applied in the three approaches to value

Residential Case Study (15 hours resulting in a written, graded report)

This is a practical, hands-on course designed to cover the application of appraisal theory, principles and techniques. The course features a case study that takes participants from the initial client contact through to the final value estimate and report.

Learning Objectives

(To be refined in country with residential licensing development team)

Apply appraisal theory to an actual residential property

- Follow the steps in the appraisal process including the appraisal order, market analysis, highest and best use analysis, sales comparison approach, cost approach, and income approach
- Reconcile the value opinion
- Report the appraisal in a narrative report format and Uniform Residential Appraisal Report

3.3 Physical Resources Required for Training

Residential Licensing Development Team (RLDT)

The RLDT will meet over two weeks to refine and adapt the curriculum to the Egyptian market. The team should be provided with a comfortable workroom with computers, ample workspace for 12 including enough desk space to accommodate working with numerous course books and materials.

Course Premieres

Maximum Attendance: 30 people

Room Required: One large meeting room, 1,200 –1,500 square feet

- a. 10 feet minimum ceiling height
- b. Well ventilated, air-conditioned, soundproof, and well lit.
- c. Unobstructed: no pillars or posts.
- d. Minimum depth of tables to be 20".
- e. Two padded, comfortable chairs per 6' table, or three chairs/8' table. If the seating is permanent, each student must have a minimum of 2 1/2 feet of workspace. Armchair desks are not acceptable.
- f. The first row of seating must be a minimum of 12'-15' away from the wall of the classroom.

Breaks: Breaks should be in the back of the classroom.

Each morning
(Sunday – Thursday) 10 am (coffee, tea, water)
Each afternoon 2:30pm (coffee, tea, water)

A/V Equipment: The following equipment is needed Sunday - Thursday:

1. Podium
2. Data projector
3. 8' x 8' screen (minimum size)
4. Lavalier wired or wireless microphone
5. Whiteboard or flipchart with markers or overhead projector

Subsequent offerings should be held in similar training facilities and limited to 60 attendees.

The Appraisal Institute has visited the training facilities at the Egyptian Banking Institute and recommends the use of EBI facilities and others of similar quality.

The Appraisal Institute recommends a limited audience for the course premieres so that native instructors can co-teach with U.S. instructors. This may require additional translation time and expense. The course premieres can be promoted to various stakeholders to mark the start of implementation. Subsequent offerings with native instructors may take less time, i.e. five-day courses could be reduced to four days.

For subsequent offerings, marketing and promotions generally should begin at least 60 days before the start date of a program. At least three points of contact should be used to promote the programs:

60 days out	Mail program brochure
30 days out	Broadcast e-mail or fax reminder notice
2 weeks out	2 nd broadcast reminder (if space is available)

While the Appraisal Institute will work with EFSP to coordinate the development team meetings and course premieres, standard course delivery procedures should be established including:

Program Preparation

Student registration should close 5 business days before the start of the course so that course materials, including exams can be prepared.

Attendance Record

A preprinted attendance record should be prepared and signed by participants on the first day to ensure that they receive proper credit. Each participant must initial each session after the first session. In addition, the instructor and the program coordinator must sign this form to certify its accuracy.

Student Roster

The Program Coordinator should develop a complete student roster that includes the full name, mailing address, and e-mail address of each participant. This roster can be handed out to each student to assist with future networking and data sharing.

Instructor and Program Evaluations

To ensure continued quality of the curriculum, each student in every program must complete instructor and program evaluation forms. Suggestions and comments from evaluations can be used to improve future offerings.

Examinations

For the first two offerings (course premieres and first regular offering) the Appraisal Institute will electronically grade exams and provide certificates of completion. The EAA should eventually be provided with electronic scanning equipment for the processing of exams and evaluations.

3.4 Financial Resources Required for Training

A: Development Team Meetings

Meeting room rental (10 days – tentative April 24 – May 5)
Local experts (3 x 10 days)
U.S. consultants and materials (\$57,000 US, 3 consultants, 22 work days each and travel, textbooks and materials for development team)

B: Course Premieres

Classroom rental (16 days – 2 courses x five days, 3 courses x two days)
Local instructors (1 x 5 courses – 2 five-day, 3 two-day, instructors must be from RLDT)
U.S. co-instructors (1 x 5 courses – 2 five-day, 3 two-day: \$40,000 US)
Instruction translation expenses
Course material copying
Course royalties (30 x \$100 = \$3,000 US)
Food and beverage

C: Subsequent Course Offerings

Classroom rental (16 days – 2 courses x five days, 3 courses x two days)
Local instructors (2 for 2 five-day, 1 for 3 two-day, instructors must be from RLDT or attend the course premieres and pass the exams.)
Course material copying
Course royalties (60 x \$100 = \$6,000 US)
Food and beverage

3.5 Human Resources Required for Training

A: Residential Licensing Development Team

Short-Term Personnel (Compensated), Visiting Consultants and Local Experts

Mark Bates, MAI

Jim Vernor, PhD MAI
Marv Wolverton, PhD MAI
Currently Licensed Appraiser
Quasi - Licensed Appraiser (took a course, but didn't take the licensing exam)
Bank Appraiser (no exposure to current courses)
Matthew Lovick (EFSP staff and program coordinator)

Egyptian Expert Review Team (Not compensated)

Dr. Sameh El-Torgoman, Mortgage Finance Authority (or delegate)
Prof. Ahmed Anis, Cairo University (or delegate)
Khaled Rasekh, Universal Services Group (or delegate)
Dr. Hala El Said, Egyptian Banking Institute (or delegate)
Dr. Safwan A. Khedr, American University in Cairo (or delegate)
Ashraf Ghazaly (or delegate), Coldwell Banker
Joseph Vella, MAI, International Valuation Standards Committee (or delegate)

B: Course Premieres

Matthew Lovick and staff, program coordination

Basic Appraisal Principles – Jim Vernor and local instructor
Basic Appraisal Procedures – Marv Wolverton and local instructor
Standards and Ethics – Mark Bates
Market Analysis – Marv Wolverton
Case Study – Mark Bates and local instructor

Note: At least two additional instructors with real estate market experience should be trained and qualified during the course premieres.

C: Subsequent Course Offerings

Basic Appraisal Principles – Two local instructors
Basic Appraisal Procedures – Two local instructors
Standards and Ethics – One local instructor
Market Analysis – One local instructor
Case Study – Two local instructors

3.6 Curricula Content for Each Course

Basic Appraisal Principles (28 hours instruction, 2 hour exam)

Content:

(To be refined in country with residential licensing development team)

- The Appraiser and Public Trust
 - Ethical and Competent Practice
 - Exercising Sufficient Diligence
 - Scope of Work
- The Nature of Real Estate
 - Land Basics
 - Fundamental Land Rights
 - Real Estate, Personal Property, and Real Property
- Rights and Interests in Real Estate
 - Estates in Land
 - Encumbrances

- Legal Description of Real Estate
- Forms of Property Ownership
 - Ownership in Severalty
 - Co-Ownership
 - Trusts
 - Condominiums, Cooperatives, and Time-Shares
- Controls on Ownership
 - Four Government Controls on Ownership
 - Lien Encumbrances
- Contracts, Leases and Deeds
 - Types of Contracts
 - Leases
 - Deeds
- The Nature of Value
 - Overview of Cost, Price, and Value
 - Four Factors of Value
 - Types of Value
- Market Value
 - Market Value Fundamentals
 - Market Value in Appraisal Practice
- Influences on Real Estate Values
 - Agents of Production
 - Four Forces that Influence Value
- Economic Principles
 - Economic Principles in Real Estate
 - Introduction to the Concept of Highest and Best Use
- Market Fundamentals
 - Market Competition
 - Sources of Capital for Real Estate
- Real Estate Math Basics
 - Math as an Appraisal Tool
 - Percentage Problems
 - Tax Rate Calculations
 - Mortgage Calculations
 - Indexing
 - Floor Area Ratio and Land to Building Ratio
- Financial Calculations
- Time Value of Money Concepts
 - Understanding Cash Flow
 - Time Value of Money
- Analyzing Market Areas
 - Understanding Market Areas
 - Characteristics of Market Areas
 - Value Influences on Market Areas
 - District Types
- The Nature of Appraisals
 - Valuation Services and Appraisal Practice
 - Scope of Work
 - Appraisal Principles in Practice
 - Problem Solving
 - Problems for Scope of Work Decisions

Exam

Basic Appraisal Procedures (28 hours instruction, 2 hour exam)

Content:

(To be refined in country with residential licensing development team)

- The Valuation Process
 - Introduction to the Valuation Process
 - STEP 1: Defining the Problem
 - STEP 2: Scope of Work
 - STEP 3: Data Collection and Property Description
 - STEP 4: Data Analysis
- From Analysis to Solutions
 - STEP 5: Land Value Opinion
 - STEP 6: Application of the Three Approaches
 - STEP 7: Reconciliation of Value Indications and Final Opinion of Value
 - STEP 8: Report of Defined Value
- Introduction to Income Capitalization
 - Terms and Definitions
 - Income Capitalization Methods
- Income Capitalization Formulas
 - Income Multipliers
 - Income Rates
- Income and Expense Analysis
 - Lease Analysis
 - Developing Income and Expense Estimates
- Application—Problem Solving
- Construction and Design Basics
 - Appraisal Observation from the Ground Up
- Introduction to the Cost Approach
 - Getting Started with Cost
 - The Basics of Estimating Cost
 - Measurement of the Structure
- Components in Cost Analysis
 - Analyzing Component Costs
 - Case Study (Part I)—Cost Analysis
 - Square Foot Appraisal Form
- Estimating Cost—Complex Residential Example
 - Assignment
 - Description of the Property
 - Breaking Down the Costs
 - Square Foot Appraisal Form
- Depreciation Basics
- Applied Depreciation
 - Market Extraction Method
 - Age-Life Method of Depreciation
 - Breakdown Method of Depreciation
- Land or Site Valuation
 - Overview of Land Valuation
 - Land Valuation Procedures
 - Case Study (Part II)—Sales Comparison and Site Valuation
- Property Description
 - The Valuation Process in a Form
 - Case Study (Part III)—Property Description
 - Cost Approach on the URAR
- Sales Comparison Approach
 - Overview of the Sales Comparison Approach
- Comparable Property Selection
 - Preliminary Selection Process

- Case Study (Part IV)—Comparable Sale Selection
- Adjustments
 - Identification and Measurement of Adjustments
 - Types of Adjustments
 - Adjustment Process
 - Reconciliation of the Sales Comparison Approach
 - Case Study (Part V)—Market Grid Adjustments
- Case Study—Market Grid Application
 - Case Study (Part VI)—Instructions for Market Grid
 - Guide Notes for the Market Grid
 - Case Study (VII)—Sales Comparison
 - Review of Adjustments
- Reconciliation and Communication
 - Reconciliation
 - Case Study (Part VIII)—Reconciliation
 - Communication
 - Reporting Formats
 - Report Documentation and Work File
 - Certification

Exam

**Egyptian Appraisal Standards and Code of Professional Ethics
(14 hours instruction, 1-hour exam)**

Content:

(To be refined in country with residential licensing development team)

- Importance of a valuation profession and professional societies
- History of the development of International Valuation Standards
 - 1900 – 1970
 - 1978 – 2000
 - IVSC Constitution, Structure and Operations
- Market Value Basis of Valuation
 - Definitions
 - Relationship to accounting standards
 - Statement of Standard
 - Discussion
 - Disclosure requirements
- Valuation for Lending Purposes
 - Definitions
 - Relationship to accounting standards
 - Application
 - Discussion
 - Disclosure requirements
- Valuation Reporting
 - Definitions
 - Relationship to accounting standards
 - Application
 - Discussion
 - Disclosure requirements
 - Departure provisions
- Appraisal Practice: A Contemporary View
 - Professionalism and codes of ethics
 - What is *public trust* and why is it important?
 - What is *appraisal practice*?
 - Dispelling myths
- Assignments
 - What is a *client*?

- What is an *assignment*?
- How do you establish an assignment?
- Identifying the client's needs
- How to deal with requests that seem unacceptable
- What are the typical terms of an assignment?
- Supplemental standards and additional requirements
- Competency issues
- Engagement letters and contracts
- When the terms of an assignment change
- Process Improvement
 - What is *process improvement*?
 - Data collection
 - Work file preparation
- Code of Professional Ethics, Certification Standard, and Guide Notes of the Egyptian Appraisal Association
 - What is the Code of Professional Ethics (CPE)?
 - Terms used in the CPE
 - Exceptions to the Ethical Rules
 - The five Canons of the CPE
 - Certification Standard
 - Guide Notes
- The Enforcement Process
 - Confidentiality
 - Summary of Regulation
- Towards Improved Professionalism
 - Ethical violations or just bad manners?
 - First impressions
- Ethical Dilemmas
 - What would you do if...?
 - When it's not a matter of choice

Exam

Residential Market Analysis and Highest & Best Use (14 hours instruction, 1 hour exam)

Content:

(To be refined in country with residential licensing development team)

- What Highest and Best Use Is
 - Where Does Highest and Best Use Fit in the Valuation Process?
 - Definitions
 - Why Highest and Best Use Is Important to the Valuation Process
 - Standards of Professional Appraisal Practice
- How to Test for Highest and Best Use
 - The Two-Part Analysis of Highest and Best Use: Site as Though Vacant and Property as Improved
 - The Four Criteria for Testing Highest and Best Use
 - Data Used to Test for Highest and Best Use
 - Case Study: A Real-World Look at Maximum Productivity
- How to Report Highest and Best Use Analysis
 - General Considerations
 - Sample Highest and Best Use Statements
 - Writing Sample of a Highest and Best Use Analysis for a Summary Appraisal Report
- Definitions and Overview of Relationships
 - Where Does Market Analysis Fit in the Valuation Process?
 - Why Do Appraisers Perform Market Analysis?
 - How Do I Begin?
 - Supply and Demand Analysis—Introductory Comments

- How Will I Use Market Analysis in Appraising Residential Properties?
- The Market Analysis Process Applied to Residential Properties: Step 1 – Property Productivity Analysis
 - Steps in the Market Analysis Process
 - What Is a Property Productivity Analysis?
 - Description and Analysis of a Property’s Physical and Market Appeal Attributes
 - Description and Analysis of a Property’s Government/Legal/Regulatory Attributes
 - Description and Analysis of a Property’s Location Attributes
 - Where to Get Information for a Property Productivity Analysis
- The Market Analysis Process: Step 2. Market Delineation
 - What Is Market Delineation?
 - Why Is Market Delineation Step 2 in the Market Analysis Process?
 - Elements of a Market Area Delineation
 - Delineating the Neighborhood for a Subject Property
 - Locating Physical and Land-Use Neighborhood Boundary Data
- The Market Analysis Process: Steps 3 and 4. Supply and Demand Analysis
 - What Are the Components of Demand?
 - What Are the Components of Supply?
 - Data Sources
- Math for Market Analysis
 - Informed Uses of Statistical Data
 - Understanding the Basic Mathematics of Statistical Analysis
- Market Analysis in Action
 - For Highest and Best Use Analysis, Market Analysis
 - For the Cost Approach, Market Analysis
 - For the Sales Comparison Approach, Market Analysis
 - For the Income Capitalization Approach, Market Analysis
 - For the Final Value Opinion, Market Analysis
- Practical Applications in Highest and Best Use Analysis
 - Highest and Best Use Decision Tree
 - Case Study: Putting It All Together

Exam

Residential Case Study (15 hours resulting in a written, graded report)

Content:

(To be refined in country with residential licensing development team)

- The Assignment
 - Appraisal Order
- Area Data
 - Metro Area Map
 - Population/Housing Overview
- Market Area Data
 - Location Map
 - Zoning Map
- The Appointment and Inspection
- Subject Site
 - Sketch of Subject Site
 - Flood Map
 - Zoning
 - Utilities, Site Improvements, Tax and Assessment Information
 - Subject Sketch
- Improvements
- Highest and Best Use Analysis
- Comparable Sales

- Sales 1 - 6
- Comparable Sale Grids
- Location Map, Comparable Improved Sales 1–5
- Location Map, Comparable Improved Sale 6
- Summary of Comparable Improved Sales
- Site Valuation
 - Location Map Comparable Site Sales
 - Vacant Site Sales
- Improved Property Sales
- Estimated Reproduction Cost
 - Entrepreneurial Incentive and Entrepreneurial Profit
 - Depreciation
- Income Approach
- Case Study Problems
 - The Assignment
 - Area Data
 - Market Area Data
 - Subject Site
 - Improvements
 - Highest and Best Use—Preliminary Analysis
 - Sales Comparison Approach
 - Income Approach
 - Site Valuation
 - Cost Approach—Cost Estimate
 - Cost Approach—Depreciation
 - Final Reconciliation

Turn in written narrative report and uniform residential appraisal report (URAR)

4.0 Residential Licensing Requirements

The recommended residential licensing requirements are composed of three components: successful completion of the education outlined in Section 3, an examination supervised by the Mortgage Finance Authority, and peer review of work experience. Licensees will be required to recertify every two years by completing continuing education requirements.

4.1 Government Structure (see chart p. 21)

To develop, maintain and monitor the valuation profession, the overriding flow (right side of the chart) occurs between licensed appraisers, the Egyptian Appraisers Association, and the Generally Accepted Valuation Principles Board (as the profession matures). A group within the Ministry of Justice should also be formed for dispute resolution, either among appraisers or appraisers and clients, and to establish equitable guidelines for government takings of property.

The regulatory structure (left side of the chart) flows from the legislation to the Ministry of Investment and Central Bank, to the Mortgage Finance Authority (MFA), and specifically to the MFA Valuation Committee. The committee is responsible for licensing appraisers. Specific recommendations for the operation of boards under the committee will be developed in a subsequent stage of the project, but generally the structure consists of the following:

4.1.1 Appraisal Standards Board

This board should be primarily made up of practicing appraisers, but should also include corresponding members from key user groups such as the Ministry of Investment and the Central Bank. The board's major task is to develop, interpret, and maintain Egyptian Appraisal Standards (EAS). The General Valuation Concepts and Principles, Code of Conduct, Property Types,

Introductions to International Valuation Standards, IVS 1, IVS 3, GN 1, and White Paper as contained in *International Valuation Standards*, Seventh Edition, should form the basis of EAS. The RLDT will review these sections and develop any supplemental standards necessitated by Egyptian law or custom.

4.1.2 Appraiser Qualification Board

This board should be primarily made up of practicing appraisers, but should also include corresponding members from key user groups such as the Ministry of Investment and the Central Bank. The board's primary task is to establish the minimum education, examination, and experience requirements for appraiser licensing and certification. Suggested specific requirements are outlined in Section 4.2

4.1.3 Generally Accepted Valuation Principles Board (GAVP)

While the profession is just developing in Egypt, this board should ultimately become a high level board that oversees, monitors and maintains generally accepted valuation principles (the body of knowledge) for all valuation disciplines including commercial valuation, business valuation, intangible asset valuation, and other types of valuation principles to ensure consistency and transparency in the marketplace and across disciplines.

Since the originating project deals with the residential mortgage market, the GAVP Board will begin under the MFA Valuation Committee. The GAVP should consist of practicing appraisers, representatives from key client groups, and academics. Whereas the Standards and Qualifications Boards are focused on meeting current market demands, the GAVP should be strategic and forward thinking, preparing for the future development of the profession and making recommendations to the other Boards for new standards, education, or peer practice review that will be required to move the profession forward.

4.2 Education, Examination, and Practice Requirements

The education outlined in Section 3 of this report should form the basis for the founding education and standards of the Standards and Qualifications Boards.

A separate examination controlled and administered by the MFA Valuation Committee and developed with the help of representative members of all three boards and Appraisal Institute consultants should be developed to test the comprehensive knowledge of those who wish to obtain an appraisal license. In addition to testing for the learning objectives outlined in Section 3, the licensing exam should also test problem-solving skills and the integration of knowledge with judgment.

Since the profession is new, peer review of practical experience should be phased in. The current requirement of from 5 to 20 years experience is impractical. An eventual requirement of two years practice performing market value appraisals under a licensed appraiser is sufficient for residential licensing. However since the pool of licensed appraisers is currently limited, a trainee category for those appraisers who complete the education requirements and pass the licensing exam should be created.

The eventual peer review process should include the completion of an assignment list of appraisals completed over a two-year period. Three actual market value reports from the list (two selected by the applicant at the time of application, and one subsequently selected by the experience review team) should be reviewed by a team of licensed appraisers. The review team should check that the reports conform to Egyptian Valuation Standards and are accurate, not misleading, and disclose all matters essential to the proper understanding of the value opinion reported.

4.3 Trainee Category

An appraiser who has completed the education requirements and passed the licensing exam is a Trainee. Eventually all trainees should work under a licensed appraiser for two years before a license is issued, but because the pool of currently licensed appraisers is limited, Temporary Practice Permits should be issued to Trainees during the first two years of program implementation. Specific experience review process development, including Temporary Practice Permit requirements will be developed in the next phase of the project.

4.4 Continuing Education Requirements

Recertification of licensed appraisers should occur every two years. To achieve recertification, appraisers should maintain their qualifications (i.e., not have criminal records or other complaints against them) and complete 30 hours of approved continuing education. Those appraisers licensed before the implementation of this program should complete the Appraisal Standards course and Market Analysis or Case Studies course outlined in Section 3. The Appraisal Institute will work with the Egyptian Appraisers Association to develop additional continuing education programs. For recertification, appraisers will submit an application along with proof of continuing education to the MFA.

4.5 Public Demonstration Seminar Introducing Complete Licensing Program

To introduce the complete licensing program to various stakeholders, Appraisal Institute consultants can conduct a public information seminar during their time in Egypt for the RLDT meetings. This program would outline the components of the program and present anticipated outcomes for the first two years of the program.

Consultants can also give brief presentations on their practice in the U.S., their international involvement and information on the development of the appraisal profession around the world, particularly in the region including Turkey, Romania and Ukraine. A half-day program with lunch or a reception is recommended.

5.0 Association Development

Critical to the success of the entire program will be the development of the Egyptian Appraisers Association (EAA). In addition to providing members for the Boards under the MFA to facilitate the

credentialing and development of the profession, the EAA should provide licensed appraisers with peer interaction and networking, professional development opportunities, and regular communications on market issues, data sharing and technology developments, and practical business advice. Members from the newly formed EAA should participate in all phases of this project so that practical experience in program development, marketing, offering, and follow-up can be gained.

5.1 Basic Structure

Although specific recommendations for the development, operation and maintenance of the EAA will be provided in the next phase of this project, the EAA should include:

5.1.1 Board of Directors

The Board of Directors will be elected by the members of the association and have final decision-making authority and ultimate accountability to the membership for decisions made and the continual development of the profession.

5.1.2 Administrative Committees

The committees should include an Executive Committee for day-to-day decision-making and a Finance Committee for budgeting and operations.

5.1.3 Programmatic Committees

These committees should include Education, Communications, and Professional Ethics and Counseling. These committees would provide products and services to members and the real estate market.

5.2 Funding

Although annual dues should be charged to each member, non-dues revenue streams must immediately be developed for the association to be successful. In addition to revenue from licensing courses and the eventual sale of the Standards and Case Study materials outlined in Section 3, the publication and sale of textbooks, particularly *The Appraisal of Real Estate*, Egyptian Edition, can be a long-term source of revenue. Short continuing education programs and conferences should also be developed. As with the basic structure development, the Appraisal Institute will assist the EAA with particular development issues in the next stages of this project.

6.0 Investigation of Public/Private Partnership for Certification Based on World Best Practices

The development of the Egyptian Appraisers Association is paramount to the participation of Egyptian appraisers in the International Valuation Standards Committee and regional valuation groups. In most instances, only one authorized association may participate in these groups and each group has strict entry standards including an investigation of the education, standards and entry requirements for association members.

Appraiser certification systems vary across the globe ranging from internal programs managed entirely within appraisal associations to government sponsored and regulated licensing and certification structures.

In the United States, prior to 1989, there was no meaningful government regulation of real estate appraisers. Appraisal organizations developed internal requirements for association members to achieve professional recognition. Leading organizations such as the American Institute of Real Estate Appraisers (AIREA), the Society of Real Estate Appraisers (now combined with the AIREA as the Appraisal Institute) and the American Society of Appraisers (ASA) developed extensive education, testing and experience qualification criteria for members to achieve a professional designation such as the MAI, SRA or ASA. Other, less scrupulous organizations required little more than a form and payment of a fee for members to become "certified."

A bank liquidity crisis in the 1980s brought on by failed real estate loans exposed the unregulated real estate appraisal profession to government regulators. The U.S. Congress acted by passing the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA). Title XI of the Act required states to set up real estate appraisal licensing and certification boards and to apply minimum education, testing and experience requirements to appraisers performing appraisals for federally regulated transactions. It also established an Appraisal Subcommittee and recognized The Appraisal Foundation as the standard-setting body (Appraisal Standards Board) and developer of appraiser qualifications (Appraiser Qualifications Board). Legitimate appraisal associations have supported the federal program and the public/private partnership has strengthened the profession as a whole.

The European Group of Valuer Associations (TEGoVA) consists of 38 members from 29 countries located in Western and Eastern Europe. TEGoVA recently developed an association-sponsored voluntary certification program allowing member associations to apply for certification status. It does not certify individual valuers. Enforcement is difficult and the effectiveness of the program remains to be proven. In European markets, most users of appraisal services rely on association designations such as those offered by the Royal Institution of Chartered Surveyors (RICS) as a recognized credential of professional training. Licensing requirements vary by country. To date there are no European Union (EU) sanctioned licensing programs for appraisers in member countries.

Past experience with and observations of regional appraisal associations including the Pan Pacific Congress (Pacific Rim), UPAV (Latin, North, and South America), TEGoVA (Europe), CERAN (Eastern Europe) and large developing economies including Russia and China indicate inconsistent and limited development of focused real estate appraisal training programs. Recently an attempt was made by representatives of appraisal associations from the U.S., Canada, Australia, New Zealand, Great Britain, Korea and Singapore to establish the World Association of Valuation Organizations (WAVO). Worldwide interest was limited and membership recruitment efforts had mixed results.

If the appraisal profession development efforts are successful in Egypt, along with the overall success of the Egyptian Financial Services Project, the result will be a model for developing economies around the world and the country's economy will benefit by increasing international investment interest in real estate development and liberating contained real estate equity in existing properties. However, the development of the appraisal profession is only part of the formula required to allow accelerated economic growth and many obstacles exist that could derail the effort.

7.0 Conclusion and Summary of Recommendations

The development, training and supervision of a sophisticated real estate valuation profession in Egypt is in support of the Government of Egypt's initiative to develop a modern real estate finance sector. For the program to succeed, valuers must move away from the more technical approach of cost-less-depreciation calculations toward market value-oriented appraisal analysis. Market transparency is a key component for success. In addition to a strong professional appraisers association, supporting infrastructure including accurate, accessible sales data, property registration and applicable information technologies must be developed.

To prepare for the development of the real estate financial services sector, training and licensing programs for real estate appraisers along with supervisory controls must be developed. It is recommended that a training program be developed that meets best world practice guidelines along with the development of Egyptian Valuation Standards and a government-sponsored licensing/certification program.

The recommended training program includes 105 hours of education in five modules including 30 hours of appraisal principles, 30 hours of appraisal procedures, 15 hours of highest and best use and market analysis, 15 hours of case studies and 15 hours of appraisal standards. Course curriculums would be modeled after existing Appraisal Institute course materials professionally adapted to Egyptian law, practice and customs by a team of local experts and international consultants. Valuation standards would follow International Valuation Standards professionally adapted to Egyptian law and practice.

It is further recommended that a supervisory structure be developed to include creation of a government sponsored and controlled licensing examination, additional licensing criteria and appropriate supervisory boards to oversee the licensing program. It is envisioned that the Mortgage Finance Authority, currently under the Ministry of Investment, would create a real estate licensing division under which would sit an Appraisal Qualifications Board, Appraisal Standards Board and Generally Accepted Valuation Principles Board. The Appraisal Qualifications Board would oversee licensing requirements including the minimum hours and approval of training programs, continuing education requirements, and experience requirements. The Appraisal Standards Board would develop, monitor, maintain and interpret real estate valuation standards. The Valuation Principles Board would oversee, monitor and maintain generally accepted valuation principles (body of knowledge) to ensure consistency and transparency in the marketplace.

The Egyptian Appraisers Association should provide members to advise and co-manage the established appraisal councils and boards. As the profession grows and matures, the EAA should provide licensed appraisers with peer interaction and networking, professional development opportunities, and regular communications on market issues, data sharing and technology developments, and practical business advice.

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Addenda

Contracted Scope of Work for First Visit

1. Training Assessment:

- Identify and meet with potential project training partners and relevant associations regarding urban real estate appraisal in Egypt.
- Assess the current levels and availability of training in the urban real estate appraisal industry. This will be done through meetings with identified training partners as well as professionals in the industry.

2. Training Plan/Curricula:

- Identify and collaborate with an association and another potential academic training partner to write appraisal training plans for each organization.
- Identify physical, financial and human resources required for these training plans.
- Work with the association and academic partner, to design respective curricula for training real estate appraisers. These curricula should target both existing appraisal professionals and university students looking for careers in the real estate appraisal industry. They should thus provide for certification as:
 - A semester-long university-style course focusing on full time students.
 - A five-day intensive course focusing on the training of working professionals.
- Plan a demonstration seminar in collaboration with local appraisal professionals, which introduces the introductory core course of the appraisal curriculum.
- Investigate the possibility of a public/private partnership for the certification of professional real estate appraisers that focuses on “world best practices” in appraising.

Deliverables

1. A report that identifies potential training partners and relevant associations that are active in urban real estate appraisal in Egypt and assess the current level and availability of training in the urban real estate appraisal.
2. Curricula for appraiser certification that address the needs of working professionals and students interested in entering the industry. (Five-day courses and semester-length course).
3. An agenda for the demonstration seminar that includes objectives for each seminar session, materials required for the seminar and what logistics need to be arranged by the Egypt FS staff for the seminar.
4. Training plans for identified associations and training partners that include the following elements:
 - 4.1. Objectives for each of the training plan’s components.
 - 4.2. Physical resources needed to implement the plan.
 - 4.3. Human resources needed to implement the plan.
 - 4.4. Financial resources needed to implement the plan.
5. Write and submit a final report explaining progress on the above tasks and recommending future activities given the results to date.

Structure Chart

